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Australia

Wine

Competition Annual - Revised

2000

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Report Highlights:
Total wine grape production is forecast to increase from 1,101 TMT in 1998/99 to 1380 TMT in 2001/02. Post has put the 1999/2000 harvest at 1,150 and the 2000/01 harvest at 1,315 TMT, an increase of 14 percent. The increased production of wine grapes has resulted in a significant increase in exports from 2.0 million hectoliters in CY 1998 to 2.6 million hectoliters in CY 1999. Exports now represent around 33 percent of wine production. Post forecasts that stocks will increase dramatically.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Canberra [AS1], AS

Executive Summary

Total wine grape production is forecast to increase from 1,101 TMT in 1998/99 to 1,380 TMT in 2001/02. This represents a projected increase in production of 25 percent. This increase is primarily driven by a projected 67 percent increase in premium red varieties, a 12 percent increase in premium white varieties as well as significant increases in non premium varieties of both red and white.

ABARE's latest forecast for wine grape production in 1999/2000 is 1,198 TMT. However this figure, released in March 2000, is generally considered to be too high given the difficult growing conditions in SA. It is likely to be revised downwards by ABARE in their next commodity report due out later this month. While production is still expected to be a record, it is now expected to be closer to the 1998/99 harvest of 1,101 TMT. The Australian Wine and Brandy Corporation has recently put the 1999/2000 harvest at 1,150 TMT. Post considers this to be an accurate estimate.

Wine grape prices during 1999/2000 season reflected the general supply and demand conditions for wine, with prices for wine grapes generally decreasing. However, the decrease in prices has not been uniform across all varieties. Industry sources report that prices received for some varieties, primarily Pinot Noir and Cabernet Sauvignon, have remained firm with growers receiving similar prices to the previous season. However, the same sources indicate that varieties such as Chardonnay could receive massive reductions in price. Media reports put Chardonnay prices in the Murray Valley district as low as A$600 per ton, or between 38 and 60 percent lower than the previous season.

ABARE has forecast the 2000/01 harvest at 1,315 TMT, an increase of 14 percent on posts current estimate. This increase is driven by a seven percent increase in bearing area together with a return to normal growing conditions.

The major projected increases from 1998/99 to 2001/02 in white wine varieties are in Semillon (40 percent), Riesling (33 percent) and Colombard (24 percent).

All premium red wines are forecast to increase between 34 and 133 percent over the 1998/1999 to 2001/02 period. Red wine varieties facing the greatest projected increases are in Pinot Noir (133 percent), Merlot (103 percent), Malbec (100 percent) and Cabernet Sauvignon (82 percent).

The increased production of wine grapes has resulted in a significant increase in exports from 1,977,220 hectoliters in CY 1998 to 2,554,710 hectoliters in CY 1999 an increase of 29 percent according to official ABS figures. Exports now represent around 33 percent of wine production.

Stock levels reflect commercial judgements about the desirability of making wine requiring long maturation periods, the timing of the vintage compared to the end of the year under consideration, production levels, and the export market. However, increased production in recent times has significantly increased stocks, with Post forecasting a dramatic increase between 1998/99 and 1999/2000. While both industry and government sources agree that this is likely, neither are confident in forecasting the result. With consumption increasing at modest rates, and not likely to change significantly, there will be increasing pressure to increase exports above the current projections. Any substantial change in posts ending stock level would require exports to increase far above the 19 percent forecast for 2000/01.

Production

PSD Table						
Country	Australia					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
TOTAL Grape Crush	0	1101	0	1150	0	1315
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	500	0	2573	0	4150
Prod. from Wine Grapes	0	6183	0	6458	0	8040
Prod. from Tabl Grapes	0	1524	0	1592	0	1180
TOTAL PRODUCTION	0	7707	0	8050	0	9220
Intra-EU Imports	0	0	0	0	0	0
Other Imports	0	245	0	200	0	163
TOTAL Imports	0	245	0	200	0	163
TOTAL SUPPLY	0	8452	0	10823	0	13533
Intra-EU Exports	0	0	0	0	0	0
Other Exports	0	2153	0	2910	0	3460
TOTAL Exports	0	2153	0	2910	0	3460
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	0	3726	0	3763	0	3800
TOTAL Dom.Consumption	0	3726	0	3763	0	3800
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	2573	0	4150	0	6273
TOTAL Ending Stocks	0	2573	0	4150	0	6273
TOTAL DISTRIBUTION	0	8452	0	10823	0	13533

The Australian wine grape and wine industry has grown significantly in the last decade. It now comprises over 3000 independent grape growers and around 1000 wineries. While the majority of wineries are small, several large companies account for around 75 percent of production. The production of wine grapes has increased from 509,933 MT in 1985/86 to a record 1,101,000 MT during the 1998/1999 year.

Production of premium wine grapes is estimated to again reach record levels in 1999/2000 although the season experienced mixed conditions. While both WA and the Hunter Valley in NSW experienced favorable conditions, South Australia has experienced generally difficult conditions. Higher rainfall and lower temperatures are believed by industry sources to be responsible for poor bud formation early in the season as well as difficult harvesting conditions at the end of the season. Dry and hot conditions mid season are believed to be responsible for a reduced berry size. These factors have combined to a lower yield. Reports indicate better than average intensity of flavor for the Barossa and Maclaren Vale regions of South Australia.

ABARE's latest forecast for wine grape production in 1999/2000 is 1,198 TMT. However this figure, released in March 2000, is generally considered to be too high given the difficult growing conditions in SA. It is likely to be revised downwards by ABARE in their next commodity report due out later this month. While production is still expected to be a record, it is now expected to be closer to the 1998/99 harvest of 1,101 TMT. The Australian Wine and Brandy Corporation has recently put the 1999/2000 harvest at 1,150 TMT. Post considers this to be an accurate estimate.

ABARE has forecast the 2000/01 harvest at 1,315 TMT, an increase of 14 percent on posts current estimate. This increase is driven by a seven percent increase in bearing area together with a return to normal growing conditions.

The increased production of wine grapes has resulted in a significant increase in exports from 1,977,220 hectoliters in CY 1998 to 2,554,710 hectoliters in CY 1999 an increase of 29 percent according to official ABS figures. Exports now represent around 33 percent of wine production.

Australia's major export markets for wine in recent years have been the United Kingdom, the United States, New Zealand, Canada and Germany. These five export markets account for around 82 percent of total exports with the UK and the US accounting for 50 percent and 17 percent of total exports respectively.

Wine imports are estimated by ABARE at seven percent of total wine sales during 1998/99 with table wine and sparkling wine being the major import categories. This remained unchanged from 1997/98.

In 1996 the Australian wine industry launched a strategy which included a vision for annual sales of A$4.5 billion in 2025. To achieve this, the industry must increase productivity and plant an extra 40,000 ha of new vineyards by 2022. An annual planting rate of 1,500 ha. To date this has been exceeded with plantings in 1996, 1997, and 1998 estimated at 8,000, 9,000 and 8,000 hectares respectively.

Increased acreage has resulted in production increasing rapidly over the past five years. This has resulted in wine grape prices falling and has increased the amount of wine available for export.

There is no accurate measure of storage and processing capacity in the wine industry and, in recent years, there has been concern that the current expansionary phase in wine grape production may lead to a shortage of processing and storage infrastructure. The larger wineries are reported to have been increasing processing and storage capacity at an annual average of 15-25 percent per year for the past five years. If infrastructure investment lags production then the downward pressure on wine grape prices may be more severe than currently expected, as more grapes would be processed into bulk wine rather than branded wine. Growers without winery contracts, who produce low quality grapes, are more likely to feel the effects of any shortage of infrastructure.

Australian Wine Production	
(1000 HL)	
1995/96	6,181
1996/97	5,568
1997/98	6,657
1998/99	7,707
1999/2000 (e)	8,050
2000/2001 (f)	9,220

The information in the above table was obtained using the ABARE total wine grapes crushed figure and a conversion factor of 0.7. (e) is a post estimate using Australian Wine and Brandy Corporation figures. (f) is the ABARE forecast figure.

The breakdown of wine production by type is not available however ABARE provides the following table which details wine grape production by category.

PROJECTED WINE GRAPE PRODUCTION, BY CATEGORY				
(METRIC TONS)				
	Estimated production	Projected production		
	1998/99	*1999/2000*	*2000/01*	*2001/02*
White Wine Grapes				
Premium (a)	410,000	437,000	452,000	461,000
Non-premium (b)	20,000	31,000	31,000	31,000
TOTAL	430,000	468,000	483,000	492,000
Red Wine Grapes				
Premium (c)	386,000	501,000	576,000	645,000
Non-premium (d)	32,000	37,000	39,000	41,000
TOTAL	418,000	538,000	615,000	686,000
Multipurpose grapes for wine making (e)	218,000	174,000	168,000	165,000
Other (f)	35,000	54,000	31,000	37,000
Total grapes for wine making	1,101,000	1,234,000	1,297,000	1,380,000

Source: ABARE Wine Grapes report (December 1999), ABARE revised total production figures in March but not individual categories.
(a) Chardonnay, Chenin blanc, Colombard, muscadelle, Riesling, Sauvignon Blanc, Semillon, Traminer and Verdelho. (b) Crouchen, Doradillo, Frontignac, Palomino and Trebbiano. (c) Cabernet Franc, Cabernet Sauvignon, Merlot, Malbec, Pinot Noir, Ruby Cabernet and Shiraz. (d) Grenache and Mataro. (e) Muscat Gordo Blanco and Sultana.

The following ABARE table provides a graphic illustration of the forecast increase in the supply of grapes for wine making. Total wine grape production is forecast to increase from 1,101 TMT in 1998/99 to 1,380 TMT in 2001/02. This represents a projected increase in production of 25 percent. This increase is primarily driven by a projected 67 percent increase in premium red varieties, a 12 percent increase in premium white varieties as well as significant increases in non premium varieties of both red and white.

PROJECTED WINE GRAPE PRODUCTION, BY VARIETY (METRIC TONS)				
	Estimated production	Projected production		
	1998/99	*1999/00*	*2000/01*	*2001/02*
Premium white varieties				
Chardonnay	214,000	216,000	224,000	228,000
Chenin blanc	13,000	17,000	16,000	17,000
Colombard	38,000	43,000	45,000	47,000
Muscadelle	2,000	3,000	3,000	3,000
Riesling	27,000	36,000	36,000	36,000
Sauvignon blanc	22,000	24,000	25,000	26,000
Semillon	82,000	85,000	88,000	90,000
Traminer	5,000	7,000	7,000	7,000
Verdelho	7,000	8,000	9,000	9,000
TOTAL	410,000	437,000	452,000	461,000
Non-premium white varieties				
Crouchen	2,000	2,000	2,000	2,000
Doradillo	5,000	10,000	10,000	10,000
Palomino	2,000	5,000	5,000	5,000
Trebbiano	11,000	14,000	14,000	15,000
TOTAL	20,000	31,000	31,000	31,000
Premium red varieties				
Cabernet franc	4,000	6,000	6,000	6,000
Cabernet Sauvignon	120,000	163,000	194,000	218,000
Malbec	2,000	4,000	4,000	4,000
Merlot	31,000	43,000	54,000	63,000
Ruby Cabernet	19,000	25,000	31,000	24,000
Pinot noir	15,000	20,000	21,000	35,000
Shiraz	195,000	241,000	268,000	296,000
TOTAL	386,000	501,000	576,000	645,000
Non-premium red varieties				
Grenache	23,000	27,000	28,000	29,000
Mataro	8,000	10,000	11,000	12,000
TOTAL	32,000	37,000	39,000	41,000
Specialist wine grapes				

TOTAL	848,000	1,006,000	1,098,000	1,178,000
Multipurpose varieties				
TOTAL	218,000	174,000	168,000	165,000
Minor red & white varieties				
TOTAL	35,000	54,000	31,000	37,000
TOTAL WINE GRAPES	1,101,000	1,234,000	1,297,000	1,380,000

Source: ABARE Wine Grapes report (December 1999). ABARE revised total production figures in March but not individual categories.
Note: Totals may not add due to rounding.

The major projected increases from 1998/99 to 2001/02 in white wine varieties are in Semillon (40 percent), Riesling (33 percent) and Colombard (24 percent).

All premium red wines are forecast to increase between 34 and 133 percent over the 1998/1999 to 2001/02 period. Red wine varieties facing the greatest projected increases are in Pinot Noir (133 percent), Merlot (103 percent), Malbec (100 percent) and Cabernet Sauvignon (82 percent).

The production of non-premium wine grape varieties is forecast to increase marginally over the same period, with non premium red wine grape production increasing by 55 percent and non premium white production increasing by 28 percent.

It is interesting to note that in 1998/99, white wine varieties accounted for 51 percent of all wine produced, with red wine varieties accounting for 49 percent (excluding minor varieties). However, by the end of the projection period (2001/2002), white wine varieties account for only 42 percent of total wine produced with red varieties accounting for 58 percent of total production.

Consumption

The following table lists domestic wine sales and imports for the years 1994/95 to 1998/99.

DOMESTIC WINE SALES & IMPORTS, BY TYPE (HL)					
	1994/95	*1995/96*	*1996/97*	*1997/98*	*1998/99 p*
DOMESTIC SALES OF AUSTRALIAN WINE					
Table wine	2,516,000	2,473,000	2,685,000	2,769,000	2,874,000
Dry red and rose	654,000	686,000	837,000	874,000	991,000
Dry white and sweet	1,862,000	1,787,000	1,848,000	1,895,000	1,883,000
Sparkling wine	280,000	301,000	321,000	311,000	326,000
Bottle-fermented	236,000	229,000	229,000	223,000	203,000
Bulk	44,000	72,000	92,000	88,000	123,000
Carbonated wine	34,000	31,000	34,000	32,000	14,000
Total unfortified wine	2,830,000	2,805,000	3,039,000	3,111,000	3,215,000
Sherry	101,000	97,000	90,000	84,000	na
Port	167,000	161,000	165,000	150,000	na
Other	2,000	1,000	1,000	12,000	na
Fortified wine	270,000	259,000	256,000	246,000	239,000
Other wine, inc. Vermouth	63,000	12,000	32,000	31,000	30,000
TOTAL	3,163,000	3,075,000	3,328,000	3,388,000	3,483,000
WINE IMPORTS					
Table wine	94,000	166,000	101,000	214,000	201,000
Sparkling wine	31,000	27,000	24,000	30,000	29,000
Fortified wine	3,000	1,000	1,000	1,000	1,000
Other	13,000	8,000	10,000	10,000	11,000
Total	141,000	203,000	136,000	256,000	243,000
Total sales of wine in Australia	3,304,000	3,278,000	3,464,000	3,644,000	3,726,000

Source: ABARE

Australian wine consumption has increased and become more sophisticated over the past three decades. The influx of migrants from countries where wine drinking was accepted practice helped increase consumption in the late 1960's. During the 1970's the introduction of the four liter wine cask helped accelerate growth, as did the mass marketing campaigns undertaken by large wine companies. The availability of new grape varieties in the late 1970's and early 1980's increased the range of wines available. An increase in the number and type of restaurants also helped boost wine consumption. These developments combined to help per capita consumption increase from six liters in the mid 1960's to around 20 liters at present.

Domestic wine sales increased steadily between 1995/96 and 1998/99. The market share of cask wine has decreased and the share held by premium bottled wine has increased.

The Australian wine market is considered as being mature and movements in the types of wine sold demonstrate changing consumer preferences. Sales of table wine during 1998/99 increased by four percent to another record. The increase in table wine sales were driven by a 13 percent rise in sales of red table wine. White wine sales still account for around two thirds of total table wine sales.

Sales of fortified wine, rose and vermouth decreased by around three percent in 1998/99. Having suffered significant falls in previous years it would appear that sales may have begun to stabilize. Sparkling wine sales also increased by five percent during 1998/99 after a period of falling sales.

A general trend is emerging where wine consumption is increasing moderately while consumers are paying higher prices for higher quality wine. This trend is expected to continue.

PER CAPITA CONSUMPTION OF WINE	
(Liters/head)	
1978/79	14.7
1988/89	20.2
1990/91	17.7
1991/92	18.6
1992/93	18.2
1993/94	18.5
1994/95	18.2
1995/96	18.1
1996/97	18.7
1997/98	19.5
1998/99	19.8
1999/2000 (f)	19.9

The above table indicates that wine consumption has modestly increased in recent years. Per Capita beer consumption has shown a steady decline, falling from around 136 liters in the mid 1970's to under 95 liters in 1997/98. Per capita consumption of spirits has remained steady over the same period.

The composition of wine consumption varies between different age groups. However it appears that, of consumers judged to be regular wine drinkers, more women drink wine than men. White wine is more likely to be consumed by females than males with the reverse true for red wine. It is estimated that 89 percent of those persons who drink wine consume wine mainly with meals. Around 74 percent of wine drinkers consume wine at home while 21 percent consume wine at restaurants.

Prices

Wine grape prices during 1999/2000 season reflected the general supply and demand conditions for wine, with prices for wine grapes generally decreasing. However, the decrease in prices has not been uniform across all varieties. Industry sources report that prices received for some varieties, primarily Pinot Noir and Cabernet Sauvignon, have remained firm with growers receiving similar prices to the previous season. However, the same sources indicate that varieties such as Chardonnay could receive massive reductions in price. Media reports put Chardonnay prices in the Murray Valley district as low as A$600 per ton, or between 38 and 60 percent lower than the previous season.

Trade

Since the early 1980's production of Australian wine has nearly doubled. The increased production of premium wine grape varieties has helped increase exports from 11 million liters in 1986-87 to a forecast 34 million liters in 2001/02. Exports of bottled wine now rival sales of bottled wine on the domestic market.

Major export markets by volume for wine in recent years have been the United Kingdom (50 percent) , the United States (17 percent), New Zealand (eight percent), Canada (four percent), Germany (four percent) and Sweden (two percent).

Similar to domestic sales, export sales are being driven by sales of premium dry table wines. Dry table wines have consistently represented 90 percent of export wine sales.

Exports of premium bottled wines have been increasing in recent years at the expense of cask and bulk wine. Australian wine export sales have in the past been dominated by white wine sales. However, in recent years, red wine sales have been increasing at a faster rate than white wine.

As production of premium wine grapes has increased, the export of bulk wine has also increased in what appears to be an attempt to clear the market, however the industry will pursue the continued promotion of bottled premium wine on export markets.

Wine imports typically comprise less than five percent of the volume of domestic wine sales although during 1997-98 imports increased to seven percent. The increase was mainly due to a large increase in low value table wine imports from Spain. However this appears to have plateaued with imports falling around five percent in 1998/99. Increased local production appears to be providing more intense competition for imported wines. ABARE forecast that levels of imported wines will fall around one third between 1998/99 and 2001/02.

Table wine represented 83 percent of 1998/99 imports with sparkling wine accounting for 12 percent. Italy ranked number one accounting for around 29 percent of all imported wine, closely followed by Spain and France which accounted for 22 percent and 19 percent respectively.

Earlier this year the Australian Media reported that a South Australian winery had its export licence suspended by the Australian Wine and Brandy Corporation after it was revealed that it had used an illegal additive (silver nitrate) in its production process. While the level of additive was found to be lower than the maximum allowable level for drinking water the Corporation identified the breach as a threat to the export reputation of the Australian industry and referred the matter to the South Australian Director of Public Prosecution.. The winery has had its export licence conditionally reinstated but will have all its wine tested for silver nitrate for a period of six months.

EXPORTS BY DESTINATION (HL &A$'000)						
	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
White Wine						
United Kingdom	406,860	152,056	500,320	213,715	632,820	253,739
United States	129,680	65,752	159,890	89,713	176,220	96,764
New Zealand	123,820	17,897	118,120	17,405	68,870	16,307
Germany	15,070	5,510	18,110	6,946	39,490	16,746
Canada	33,240	13,149	33,900	15,687	38,200	17,960
Sweden	20,420	5,803	22,260	6,938	28,130	8,788
Ireland	19,310	7,793	22,210	11,444	25,930	12,895
Netherlands	9,840	4,019	9,860	4,168	19,340	8,046
Japan	13,700	5,950	18,700	8,453	16,240	8,933
Belgium	9,140	3,075	6,950	2,784	10,370	3,304
Switzerland	4,580	2,597	4,830	2,576	7,940	3,850
Denmark	7,960	2,947	9,080	3,601	7,050	3,006
Other	68,870	25,566	61,490	24,319	55,660	25,029
Total	862,490	312,114	985,720	407,749	1,126,260	475,367

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Red Wine (incl Rose)						
United Kingdom	329,660	140,762	381,830	207,708	534,910	273,443
United States	127,920	80,094	168,134	126,293	230,400	168,151
New Zealand	66,600	25,457	74,140	29,489	85,580	38,116
Germany	18,560	8,625	26,130	13,038	53,270	28,335
Canada	31,780	17,437	40,010	24,772	52,310	34,516
Ireland	18,660	8,871	24,920	14,996	29,140	17,944
Netherlands	10,380	5,262	16,240	8,304	21,060	11,490
Sweden	13,030	5,279	11,770	4,633	19,650	7,660
Japan	10,580	5,308	40,430	21,548	18,630	12,610
Norway	18,110	6,268	15,190	6,069	18,380	6,940
Switzerland	10,120	6,458	16,540	10,186	18,080	13,020
Other	96,750	48,094	86,616	44,451	94,400	55,656
Total	752,150	357,915	901,950	511,487	1,175,810	667,881

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Champagne						
United Kingdom	33,080	15,050	32,640	19,175	49,880	27,477
New Zealand	5,310	2,701	8,900	4,395	10,970	4,972
United States	2,260	1,428	3,840	2,998	5,350	3,200
Canada	1,420	611	1,400	703	2,120	1,097
Sweden	670	549	1,040	446	1,430	552
Ireland	380	138	560	316	920	515
Fiji	470	412	610	496	850	652
Singapore	370	206	280	144	630	369
Japan	420	268	410	473	610	489
Hong Kong	330	200	380	221	510	345
Finland	320	173	350	157	480	184
Other	2,640	1,534	3,230	1,778	3,560	2,162
Total	47,670	23,270	53,640	31,302	77,310	42,014

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Other Sparkling Wine						
United Kingdom	2,870	1,431	1,190	786	4,360	2,183
New Zealand	1,360	488	1,540	374	2,760	972
Japan	1,730	950	2,720	1,157	2,300	952
Hong Kong	980	701	270	183	590	279
Sweden	320	101	240	74	570	177
Belgium	120	97	240	297	360	730
Canada	30	32	20	30	350	296
United States	190	243	620	839	310	457
Rep. of Korea	190	68	10	4	260	53
Malaysia	230	121	20	34	210	143
Switzerland	560	2,450	200	139	180	115
Other	1,960	1,109	1,530	783	1,060	779
Total	10,540	7,791	8,600	4,700	13,310	7,136

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Fortified Wine (incl Sherry, Port, Muscat, Dessert Wine)						
Canada	4,110	1,321	4,790	1,580	4,520	1,584
United Kingdom	9,420	2,516	6,400	1,513	4,290	1,565
United States	4,040	3,536	3,750	3,907	3,200	2,875
New Zealand	3,170	1,348	2,930	1,278	2,440	1,310
Japan	1,280	542	740	484	950	585
Thailand	30	31	520	117	700	182
Papua New Guinea	360	53	320	137	310	122
Sweden	10	11	10	15	190	63
Finland	-	-	40	13	180	55
Solomon Islands	120	40	50	19	100	36
Fiji	160	74	60	43	90	63
Other	1,520	1,449	1,300	909	620	538
Total	24,220	10,921	20,910	10,015	17,590	8,978

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Vermouth						
New Zealand	560	287	520	255	610	298
Malaysia	290	100	310	112	200	75
U.A.E.	110	41	3	1	30	10
Singapore	30	29	150	69	20	11
Japan	10	4	0	1	20	19
United Kingdom	-	-	1	27	10	109
Philippines	-	-	-	-	0	1
Hong Kong	-	-	0	2	0	5
Vanuatu	-	-	-	-	0	1
Norfolk Island	130	60	-	-	0	1
United States	1,100	1,685	1	3	-	-
Other	60	52	5	12	20	5
Total	2,290	2,258	990	482	910	535

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Other (incl Grape Must)						
Germany	280	105	20	14	1,460	322
France	0	1	1	2	1,450	284
United Kingdom	1,320	976	1,500	1,306	650	379
United States	410	274	160	317	650	758
Singapore	430	716	370	468	480	416
New Zealand	520	451	510	455	390	339
Hong Kong	1,070	794	220	184	310	330
Japan	830	985	820	668	230	267
Fiji	100	51	30	40	150	91
Norfolk Island	-	-	10	13	100	34
China	620	220	60	16	100	41
Other	2,450	2,420	2,409	2,024	420	443
Total	8,030	6,993	6,110	5,507	6,390	3,704

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Total Wine Exports						
United Kingdom	783,210	312,792	923,860	444,229	1,267,440	566,782
United States	265,600	153,012	336,390	224,069	422,330	273,792
New Zealand	201,340	48,629	206,650	53,652	216,150	66,945
Canada	70,600	32,560	80,160	42,817	99,670	56,209
Germany	34,450	14,655	44,360	20,088	97,590	46,294
Sweden	34,440	11,749	35,320	12,107	56,350	18,223
Ireland	38,430	16,897	47,830	26,918	56,130	31,481
Japan	28,570	14,031	6,380	32,784	45,560	25,003
Netherlands	20,430	9,396	2,632	12,546	40,740	19,830
Switzerland	16,770	12,828	2,379	14,693	30,970	18,500
Norway	26,900	8,784	2,120	8,521	28,480	9,962
Other	186,870	86,218	289,139	78,663	193,300	95,845
Total	1,707,610	721,551	1,977,220	971,087	2,554,710	1,228,866

IMPORTS BY COUNTRY OF ORIGIN						
(HL &A$'000)						
	1997		*1998*		*1999*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Champagne						
France	9,840	26,197	8,650	25,822	14,130	40,988
New Zealand	1,380	883	1,530	997	2,220	2,105
Spain	190	58	120	69	200	123
Italy	400	174	800	327	200	93
Germany	10	8	20	13	40	18
United States	0	2	3	2	20	39
United Kingdom	10	14	1	8	20	104
Israel	10	2	10	8	10	5
Other	640	285	826	297	550	301
Total	12,480	27,623	11,960	27,543	17,390	43,776
	1997		*1998*		*1999*	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Sparkling Wine						
Italy	14,070	8,580	14,480	10,173	17,130	10,324
France	1,650	1,594	1,780	3,183	2,160	3,523
Germany	650	313	670	290	1,120	426
Spain	200	348	370	204	840	592
New Zealand	2,010	881	380	435	780	881
United Kingdom	20	35	10	24	290	173
Netherlands	150	75	-	-	150	83
Chile	0	1	10	7	90	49
Israel	80	20	140	45	70	82
Hungary	-	-	10	3	40	8
United States	50	42	40	43	10	22
Other	60	98	30	28	160	138
Total	18,940	11,987	17,920	14,435	22,840	16,301

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Table Wine						
Italy	45,700	11,915	38,170	12,261	18,790	5,496
France	17,950	10,159	20,530	14,841	10,400	6,803
New Zealand	14,060	8,330	18,090	11,275	10,140	8,070
Greece	3,760	634	2,830	695	2,810	515
Germany	3,870	1,199	3,270	1,272	1,740	764
Spain	2,320	918	2,940	1,312	1,030	489
Portugal	6,120	2,492	4,210	1,664	1,020	409
Chile	3,930	1,445	2,340	1,057	990	434
South Africa	1,030	480	930	417	430	214
Hungary	1,660	370	1,000	353	410	130
United States	860	648	860	712	290	331
Other	4,480	2,019	3,480	1,623	1,070	514
Total	105,740	40,609	98,650	47,482	49,120	24,169

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Fortified Wine (incl Sherry, Port, Muscat, Dessert Wine)						
Spain	840	444	500	307	180	133
France	20	36	60	80	150	99
Portugal	60	103	30	49	60	143
Germany	0	0	80	28	50	21
Hungary	10	15	-	-	30	10
Cyprus	80	34	-	-	30	17
New Zealand	0	1	70	87	20	12
United States	20	16	1	1	10	10
Japan	-	-	-	-	10	6
United Kingdom	30	21	70	71	10	6
Other	200	93	119	69	0	0
Total	1,260	763	930	692	530	457

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Vermouth						
New Zealand	2,350	770	3,350	1,546	5,030	2,440
Italy	1,320	619	950	445	1,080	504
Greece	650	116	580	101	720	142
France	350	193	200	111	370	189
Croatia	10	4	30	-	40	13
United Kingdom	0	0	-	-	20	73
Portugal	-	-	-	-	0	2
United States	-	-	50	11	-	-
Other	0	4	170	58	10	1
Total	4,680	1,706	5,330	2,272	7,270	3,364

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Other (incl Grape Must)						
Spain	45,660	3,450	101,010	9,702	38,180	4,054
Italy	4,910	1,097	3,540	1,120	5,860	1,548
Portugal	20	13	-	-	2,210	951
France	730	289	1,140	487	1,790	1,546
Greece	210	53	390	122	1,210	285
New Zealand	6,050	1,858	2,760	1,327	1,080	726
Israel	850	186	790	287	740	222
Chile	2,230	361	200	109	410	138
Germany	40	42	10	25	380	91
United States	480	228	430	199	320	268
Bulgaria	-	-	-	-	100	29
Other	3,400	504	41,110	2,322	400	233
Total	64,580	8,081	151,380	15,700	52,680	10,091

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Total Wine Imports						
Italy	66,580	22,468	57,920	24,310	54,980	22,055
Spain	49,210	5,217	105,070	11,621	42,050	6,147
France	30,550	38,468	32,350	44,523	35,080	59,029
New Zealand	25,850	12,721	26,180	15,666	28,090	19,200
Greece	4,620	803	3,980	973	6,020	1,355
Portugal	6,200	2,609	4,240	1,715	5,340	2,362
Germany	4,570	1,562	4,130	1,648	4,760	1,886
Chile	6,760	1,959	3,240	1,391	2,530	1,073
Hungary	1,670	385	1,010	356	1,020	345
United States	1,410	935	1,330	968	1,000	995
Israel	1,000	237	1,140	463	950	337
Other	9,270	3,403	45,350	4,356	5,520	2,925
Total	207,690	90,767	285,940	107,990	187,340	117,709

Stocks

Stock levels reflect commercial judgements about the desirability of making wine requiring long maturation periods, the timing of the vintage compared to the end of the year under consideration, production levels, and the export market. However, increased production in recent times has significantly increased stocks, with Post forecasting a dramatic increase between 1998/99 and 1999/2000. While both industry and government sources agree that this is likely, neither are confident in forecasting the result. With consumption increasing at modest rates, and not likely to change significantly, there will be increasing pressure to increase exports above the current projections. Any substantial change in posts ending stock level would require exports to increase far above the 19 percent forecast for 200/01.

Policy

The Government of Australia will implement a new tax system on July 1, 2000. This system will replace a range of taxes, most importantly the wholesale sales tax (WST), with a single Goods and Services Tax (GST) of 10% to apply to all goods and services with some exemptions.

Wine currently has a WST of 38.6 percent applied to it at the wholesale level and no other taxes are applied to it. However, after June 30, 2000, the WST of 38.6 percent will be removed and replaced by a Wine Equalization Tax (WET) of 29 percent which will also be levied at the wholesale level. The GST (10 percent) will be levied on every transaction throughout the supply chain. However, unlike the WET, businesses will be allowed to deduct the GST paid on their inputs from GST remitted on their outputs so that they are effectively only taxed by the GST on the value they add.

As a result of the abolition of the WST and the introduction of the WET and the GST, industry sources state that there will be a general increase in the retail price of wine sold in Australia of around 2 to 3%.

Under the 1994 Australia-EU Wine Agreement, Australian and European wine producers agreed to protect each other's geographical indications and agreed on mutual recognition of wine making practices. This is reported to have reduced testing requirements for Australian wine. Negotiations are now centered around finalizing key product descriptors and derogations from certain import certification requirements for Australian bulk wine, while reducing the policing of imports by some EU member states.

Australia is currently negotiating with the EU on the phase out-dates of semi-generic terms and the resolution of the level of protection for traditional expressions that serve as alternate names for wines currently employing semi-generic terms that are scheduled to be phased out.

Australia has held exploratory talks with the US industry in regard to the development of a Mutual Recognition Agreement regarding winemaking practices in both countries. An MRA would increase confidence that Australia or the US would not challenge each other in regard to trade practices.

A "new world" wine group has been established which includes Australia, the US, Canada, New Zealand, South Africa, Chile, Argentina, Uruguay. The group aims to enhance the strategic exchange of information between the countries. This group will provide a forum for settling trade problems between the countries, and will work to provide a strategic position in negotiations/problems with the EU.

The industry is supportive of the current review of the operation of the OIV.

Marketing

Foreign Market Development

United Kingdom

The UK continues to be the largest export market. The Australian Wine Bureau (AWB) maintained a high level of promotional activity at the trade and consumer level.

The AWB targets wine drinkers with high disposable income and aims to increase the regular consumption of Australian wine in this group. Attention is also focused on the female wine drinker purchasing wine as a component of weekly grocery purchases. The AWB aims to increase the confidence of female shoppers in buying Australian wines and also to encourage them to move up the price scale.

United States

A joint venture agreement exists between the Australian wine industry and Austrade in New York. A generic promotional program has grown to include 44 companies and 119 brands of Australian wine. The AWB's efforts enable more than 17,000 consumers to sample Australian wine and provides 500 journalists and more than 2,000 members of the wine trade with insights into the Australian wine industry, and educational materials about Australian wines.

The industry sent 12 key retailers on a tour of Australia to visit vineyards and wineries.

Canada

Promotional activities in Canada continue to be conducted by the Eastern and Western Canada Importer Committees with the continued support of Austrade in Toronto and Vancouver in administering the program. Promotional activities included a 10 day "Aussie Road Show" with several Australian wineries participating in wine tastings held in Ottawa, Montreal, Halifax, and Toronto. Other activities included participation in four major wine shows and a tutored trade tasting in Ontario.

Scandinavia

The Scandinavian promotional program is directed by an Austrade representative in Stockholm and includes Sweden, Norway, Denmark and Finland. Promotions include tastings, wine and food fairs, and Australia Day promotions and tastings. A "wine flight" which involved trade and media representatives visited Australia during 1997-98.

Ireland

The AWB continues its presence in the market with a series of promotional activities, including tastings, the Irish Open Golf Tournament, and participation by Irish trade representatives and journalists in the Australia Day tastings in London. A program of bringing trade and media representatives to Australia has also continued.

Germany

Wine exports to Germany continue to be focused on the trade, with wine tastings in major cities, participation at ProWein 98 in Dusseldorf, and a “wine flight” visit to Australia comprising trade and media representatives.

Japan

Austrade Tokyo has continued to support the promotion of Australian wine. In March 1998 the AWB opened an office in the Austrade building in Tokyo. In recent years members of the trade and media representatives have visited Australia.

Market Profile

Production Policy

Production of grapes for wine making in Australia receive little Government assistance. Growers can write off against taxation commitments the cost of the acquisition and planting of vines over four years.

The government also provides funds on a dollar for dollar basis for research and development up to 0.5 percent of the gross value of production.

Commonwealth Government funds are channeled primarily through three organizations: the Commonwealth Scientific and Industrial Research Organization (CSIRO), part of which is used in its Division of Horticulture for grape research; the Grape and Wine Research and Development Corporation (GWRDC) and the Cooperative Research Center for Viticulture (CRCV).

Consumption

See Consumption section in the statistical section of this report.

Market Access

The Australian wine market does not have any quantitative restrictions or import licensing requirements on wine imports. From 1 July 1996 all wine and grape must imports attracts a five percent ad valorem import tariff, with the exception of developing countries which enjoy a four percent tariff.

Distribution

Australian wine production is extremely concentrated among producers. While 224 wine making businesses crushed 50 MT or more of grapes during 1997-98 the 131 smallest crushed two percent, while the largest 10 crushed 68 percent of all grapes and produced 70 percent of beverage wine.

The wine export industry is dominated by large companies. It is widely accepted that the ten leading exporters account for over 85 percent of the value of all exports.

Government Support

The Government does not provide export subsidies for wine exports.

The Government provides A$200,000 under the Export Market Development Grant (EMDG) Scheme to assist export promotion. Applicants under this scheme may qualify for up to 50 percent reimbursement of eligible export marketing expenses to a maximum of A$200,000.

During 1997-98 the Australian Wine and Brandy Corporation (AWBC) spent A$3.4 million dollars on promotional expenditure. The majority of promotional expenditure is directed through the Australian Wine Export Council (AWEC) which is a committee of the AWBC. In 1992-93, its first full year of operation, the AWEC had an initial budget of A$4.7 million over five years, i.e. this is a total figure not a yearly figure. Of this A$250,000 was contributed by Austrade, A$1.5 million as a grant from the South Australian Government and A$1.5 million as a concessional loan from Austrade under the International Trade Enhancement Scheme (ITES). The ITES loan was converted to a grant as part of post 1993 budget negotiations between the industry and the Commonwealth Government. A sponsorship of A$500,000 was also received from a private company. This funding finished in the 1996-97. The industry instituted a levy under the Wine Export Charge Act 1997 on all Australian wine exported, for the purpose of funding the export promotional operations of the corporation.

From 1 July 1998 the rate of the levy is;

- 0.20 percent on the first A$10 million of FOB export sales, plus
- 0.10 percent on the next A$40 million of FOB export sales, plus
- 0.05 percent on the remaining FOB export sales.

Export promotion principally takes the form of wine tastings in the target market. Australian producers are encouraged to attend and display samples of their products to wine buyers and journalists. Overseas buyers have been brought to Australia to meet winemakers. This is far more cost effective for smaller winemakers.

Up until the 1997-98 year the AWBC utilized funding provided under the Small Winemaker Export Program (SWEP). This program aimed to help reduce some of the barriers to export faced by small scale producers. This assistance included the provision of expert advice in both Australia and export markets. It has included the development of regionally focused point of sale material which is viewed as important in increasing the awareness of the individual character of Australia's wine regions. The Federal Government provided funding of A$104,385 in 1995-96 and A$206,344 in 1996-97.

The AWBC International Trade and Technical Advisory Committee supports negotiations between the Australian Government and importing countries by providing advice on trade and technical issues. This committee negotiates with importing countries in regard to access and product standards.

The AWBC has a Wine Practices Committee which analyzes wine samples for chemical residues to ensure that wines sold are within Australian and international limits.

The AWBC has responsibility for ensuring the accurate description of grape products produced and sold in Australia. The objective of this function is to ensure the truth of statements made on wine labels about the vintage, variety and region of origin of wine manufactured in Australia. The Label Integrity Program (LIP) Committee of the AWBC has a full time Label Integrity Program Inspector who is assisted by two part time inspectors.

Export Regulations

The AWBC licenses all exporters of grape products. Regulations provide that licences may be granted by the Corporation for a period not exceeding three years. In granting licences the following prescribed matters are taken into consideration:

- the financial standing of the applicant;
- the applicants ability to obtain grape products from Australian suppliers;
- matters applicable to the person that relate to the promotion of the export of grape products, including matters that may affect adversely the export trade in grape products; and,
- whether the Corporation has canceled a licence held by the applicant.

Levy payers (winemakers) applying for an initial licence are licensed for a one year period, but upon application for renewal are licensed for a further three years. In contrast non levy payers (e.g. merchants) are, in either circumstance, licensed for a one year period only.

Licence holders are prohibited from exporting unless certain conditions prescribed in the regulations are complied with. These include requirements that:

- the exporter is a licensee; and
- the corporation has approved:
- (1) the purchaser of the product; or
- (2) the person to whom the product is consigned as an agent or representative of the purchaser, or the licensee, in the country to which the product is consigned; and
- the product is exported in accordance with any directions given to the licensee by the Corporation; and
- the grape product is sound and merchantable; and - the licensee has given the Corporation, or allowed the Corporation to take, any samples of the product reasonably required by the corporation for the purpose of determining the soundness and quality of the product; and
- the Corporation has issued an export certificate for the product.

To maintain the quality of Australian wine exports, the AWBC requires that all wines intended for export be subject to organoleptic evaluation by a panel of qualified inspectors. The samples lodged for evaluation must be labeled and accompanied by an analysis certificate, including a declaration that the wine complies Australian food law and, as appropriate, the law of the importing country. The inspectors (a technical specialist and a commercially oriented marketing expert) assess the soundness and merchantability of the product, and also check labeling.